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SENSITIVE

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SUBJECT: SCENESETTER FOR VISIT OF SECRETARY OF ENERGY

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

¶1. (U) Embassy Port of Spain warmly welcomes your May 12-13 visit to Trinidad and Tobago (T&T). Your trip presents an opportunity to reinforce engagement with T&T, building on the goodwill generated by last June's Conference on the Caribbean and in advance of next year's Summit of the Americas meeting. T&T is important to America's energy security, having supplied more than two-thirds of U.S. imports of liquefied natural gas (LNG) over the last five years. It also has been expanding its political and economic influence in the region, leveraging its dynamic and prosperous economy. Trinidad, however, also is coping with an upsurge of crime driven, at least in part, by narcotics and firearms trafficked from the South American mainland. While T&T sometimes differs with the USG on foreign policy matters, it is a friend, ally and strong supporter of hemispheric free trade.

¶2. (U) This cable provides a brief overview of the country and a look at potential topics that will be covered during your stay. Meetings with the Ambassador and members of the Country Team shortly after your arrival will provide further information and the opportunity to discuss issues at length.

POLITICAL SNAPSHOT

¶3. (U) Prime Minister Manning's People's National Movement (PNM) party retained its parliamentary majority when the citizens of Trinidad and Tobago voted on November 5, 2007. The PNM won 26 seats to the opposition United National Congress' (UNC) 15. The year-old Congress of the People (COP) party contested the election as well but won no seats. The PNM and UNC parties are heavily, but not exclusively, based on ethnicity, with the PNM supported largely by Afro-Trinidadians and the UNC by Indo-Trinidadians. The COP also draws mostly from Indo-Trinidadians, though it consciously sought (as did the other parties) in the last election to cross ethnic lines.

¶4. (SBU) Manning first served as Prime Minister from 1991 to 1995, when the PNM lost its parliamentary majority to the UNC and Basdeo Panday became Prime Minister. An electoral deadlock in 2001 eventually led to the return of Manning and the PNM. With a secure majority in Parliament, Manning need not call another election until ¶2012.

ECONOMIC SNAPSHOT

¶5. (U) T&T has a vibrant industrialized economy, buoyed by 18 trillion cubic feet of proven natural gas reserves. It is our largest trading partner in the Caribbean and the leading beneficiary

of Caribbean Basin Initiative trade preferences. T&T is experiencing strong GDP growth, averaging 9.8% over the last five years, sustained by exports of oil, natural gas, and petrochemicals.

While fiscal policy has generally been restrained, rising spending coupled with a tight labor market have contributed to rising inflation, which reached 10 percent year-on-year in October 2006, moderated to 7.9 percent in August 2007, and climbed back to 10 percent in January 2008 as a result of wage agreements concluded on the eve of November's national elections. T&T is considered a low-risk investment destination. The T&T dollar remains stable in value against the U.S. dollar (at about 6.25/dollar), contributing to the country's attractiveness to foreign investment. Standard & Poor's raised its credit rating for T&T to A- in 2005 and confirmed that rating in 2006 and 2007. GOTT regularly courts foreign investors, with U.S. companies often taking the lead.

A CLOSER LOOK AT ENERGY

¶6. (U) Oil was discovered in Trinidad in the mid-19th century, and the local energy industry is celebrating the 100th anniversary of commercial oil production in 2008. After riding the oil boom and bust cycle of the 1970s and 1980s, Trinidad and Tobago has made a major transition over the last ten years to an economy driven largely by natural gas, both for export and for consumption in domestic industries, attracting major foreign investment projects in liquefied natural gas (LNG), petrochemicals and steel. T&T also continues to play a role in regional energy security, supplying refined petroleum products to the rest of the Caribbean, although competition from Venezuela (backed by concessionary financing) is eroding its regional market share.

¶7. (SBU) USG interest in energy security centers on imports of LNG from Trinidad, which has supplied two-thirds of U.S. imports of this commodity over the past five years. While LNG accounts for only 10 percent of U.S. overall natural gas imports, T&T's resources plays a critical role supplying East Coast markets from New England to Louisiana. For this reason, USG agencies recently conducted a vulnerability assessment aimed at improving protection of critical infrastructure in T&T's energy sector, an initiative that enjoyed full cooperation from the GOTT and energy sector companies. The GOTT is also working with the U.S. Department of Energy and U.S. Southern Command to host a regional energy infrastructure protection conference in Port of Spain May 14-15.

¶8. (U) Atlantic LNG, the country's sole LNG producer, is a consortium of companies including BP (which absorbed Amoco several years ago), British Gas, Repsol, Suez (successor to Cabot's interest in ALNG Train 1), and the local National Gas Company (NGC). In 2005, Atlantic LNG completed Train 4, the largest ever built, expanding ALNG's production capacity from 10 million to 15 million tons per year. U.S. construction company Bechtel International was the primary contractor on the Train 4 project, and GE Oil & Gas has an ongoing service contract.

¶9. (SBU) While the GOTT is studying the feasibility of constructing a fifth LNG train, possibly to supply Caribbean and other regional markets, prospects depend on two factors: availability of natural gas and whether the GOTT allocates new gas for export or domestic consumption.

¶10. (SBU) The years 2006 and 2007 saw few significant gas discoveries and limited interest from international energy companies in bidding for rights to explore unassigned deep water blocks, fueling concerns that new discoveries are not keeping pace with utilization. These concerns increased with the August 2007 release of an independent audit showing a proven reserves/production ratio of 12 years, down from previous estimates of 15-20 years. In January 2008, two Canadian companies announced discoveries in T&T waters, with additional reserves estimated at roughly one more year at current consumption levels. The GOTT is voicing optimism that other planned exploratory wells will find more gas; at the same time it has hinted that it might offer more favorable financial terms in the offshore bid rounds it has scheduled for 2008 (shallow water) and 2009 (deep water).

¶11. (SBU) The best near-term prospect for raising production is from several large gas fields that cross T&T's maritime border with

Venezuela. The two governments made significant progress in 2006-07 in talks on joint development, culminating in the signing of a framework unitization agreement on March 20, 2007, during a visit to Caracas by Prime Minister Manning. The agreement sets out the legal terms for ownership and development of the cross-border fields, but it does not specify on which side of the border the gas will be monetized, nor for what purpose. Loran/Manatee, the largest of these fields, is estimated at 10 trillion cubic feet (TCF), of which 2.7 TCF are assigned to T&T. Chevron, as designated operator on both sides of Loran/Manatee, has facilitated progress at the technical level. However, the effort to conclude a field-specific accord with Venezuela has been stalled since June 2007. Energy Minister Conrad Enill stated publicly in February 2008 that efforts are under way to revive negotiations. While Chevron officials welcomed Enill's remarks, other private sector contacts doubt that Venezuela will move this project forward.

¶12. (U) While Prime Minister Manning acknowledges the role of LNG exports in T&T's economic prosperity, his development vision focuses on expanding gas-based industries to generate sustainable jobs in metals, plastics, and downstream manufacturing. Trinidad and Tobago is already a world-class producer of ammonia and methanol, with significant U.S. investment in several plants. New projects would expand steel and add aluminum, ethylene and polypropylene production. However, ALCOA's proposal to construct a 341,000 ton/year aluminum smelter met with unprecedented resistance from local environmental activists, culminating in the Prime Minister's late 2006 decision to put the ALCOA project on hold pending agreement on a new site. Anti-smelter activists have since turned their energies toward blocking Alutrint, a smaller proposed aluminum smelter with 60% GOTT and 40% Venezuelan private ownership, as well as a new steel mill to be constructed by India's Essar Steel. It remains to be seen whether U.S. company Westlake Chemical will meet similar resistance to its proposed \$1.5 billion ethylene plant, slated for completion by 2011.

LABOR AND TRADE UNIONS

¶13. (SBU) Trade unions have at times been at odds with GOTT efforts to increase competitiveness. In one example, after years of thwarted negotiations with the airline workers' union, the GOTT took the drastic step in 2006 of closing down BWIA, the unprofitable national carrier, and creating a new, downsized entity. It is still unclear if the new national carrier, Caribbean Airlines, will be unionized. The Prime Minister suggested last year that the GOTT may try a similar tactic with the far more powerful Oil Workers Trade Union (OWTU) in an effort to create a new, unified national petroleum company to replace the state-owned Petrotrin.

NARCOTICS TRAFFICKING

¶14. (SBU) The country's location just seven miles off the coast of Venezuela makes drug trafficking a major challenge. Narcotics from South America transit T&T's waters or move through its airports. Illegal drug use and trafficking are on the rise. The narcotics trade is likely linked to the persistently high number of murders and other violent crimes that plague the country. The government faces an uphill battle in trying to control these problems, exacerbated by inadequate border controls, corruption in the police service and a slow judiciary. T&T's vibrant petrochemical industry has the potential to provide diverted precursor chemicals for use in illegal drug production. The country's growing economy and well-developed banking, communications and transportation systems, facilitate a significant number of sizeable financial transactions that can obscure money laundering.

CRIME

¶15. (SBU) Violent crime has been one area of particular concern over the last several years. T&T saw significant increases in murders and kidnappings from 2000 until present. In 2007 there were almost 400 murders, the highest number recorded in any one year. For the

first four months of 2008, T&T has realized a staggering 160 murders, more than one a day. The GOTT has widely been viewed as unable to effectively address the serious crime problem, partially due to corrupt and inefficient police, inadequate disciplinary systems, a slow-motion court system and political intransigence. This, coupled with perceptions that some criminal organizations operate relatively freely, has led to a loss of confidence in the GOTT's ability to solve the crime problem. To date, the crime situation has not affected foreign direct investment or tourism, though several local business families have fled the country and each day, local merchants raise more concern.

TERRORISM

¶16. (SBU) T&T has no significant indigenous terror groups, but some criminal Muslim organizations remain a concern. T&T has a considerable Muslim minority, comprising roughly six to ten percent of the total population, though estimates vary widely. The majority of Muslims are represented by moderate Islamic organizations, but a few radical Islamic fundamentalist leaders have reportedly advocated for actions to be taken against the United States. The most famous of Trinidad's radical organizations is the Jamaat al-Muslimeen, a local Afro-Trinidadian group that launched a violent failed coup attempt in 1990. Over the last few years, however, several radical splinter groups have emerged. Anti-American sentiments are sometimes heard even from moderate Muslims, and several of the major mainstream groups helped to organize protests against U.S. actions in Iraq in early 2003. T&T is party to eleven of the twelve UN anti-terror conventions, and in September 2005 passed anti-terrorism legislation. Elsewhere, T&T has come into compliance with the International Ship and Port Facility Security Code (ISPS), and the T&T Central Bank cooperates with Post in alerting financial institutions to potential sources of terrorist finance.

REGIONAL INFLUENCE AND INTEGRATION

¶17. (SBU) PM Manning, bolstered by greater energy revenues and a strong economy, is seeking to expand T&T's role regionally and internationally, for example by offering technical assistance to African oil and gas countries. Closer to home, he is a strong backer of CARICOM integration and seeks U.S. support for an expanded T&T security presence in the Eastern Caribbean. A move toward regional integration took place in October 2006 in advance of the Cricket World Cup Tournament. In his capacity as chairman of CARICOM's Security Committee, PM Manning signed a Memorandum of Agreement in Port of Spain with visiting Secretary of Homeland Security Michael Chertoff, paving the way for an Advance Passenger Information System (APIS). APIS screened all travelers entering the region for the tournament.

¶18. (SBU) In the wake of the brutal 2005 hurricane season, T&T donated nearly TT\$40 million (US\$6.67 million) in disaster relief to islands in the region. It also contributed troops, relief supplies and volunteer workers almost overnight to the stricken island of Grenada following Hurricane Ivan. Regional integration in the form of the CARICOM Single Market and Economy (CSME) is progressing but far from reality, however, as demonstrated by periodic political backlash in Jamaica and Barbados over the success of T&T businesses in penetrating those markets. Furthermore, Venezuela is overtaking T&T as the Caribbean's largest energy supplier, through its PetroCaribe program. For its part, T&T has been contributing US\$67 million annually to the CARICOM Petroleum Fund it set up in 2004 to finance social development projects in oil-importing member countries. At a recent CARICOM Heads meeting in the Bahamas, Manning announced an increase in T&T's Petroleum Fund contribution as well as US\$38 million in new money for the CARICOM Regional Development Fund.

¶19. (SBU) Manning also is raising T&T's and the region's profile internationally by hosting the Fifth Summit of the Americas (SOA) in April 2009 and the next Commonwealth Summit about six months later. While the GOTT is only slowly coming to grips with the logistical challenges of the SOA, bilateral dialogue on themes and concepts for the Summit has been constructive. T&T's focus on "human prosperity"

offers scope for both U.S. priorities like competitiveness and Caribbean priorities such as crime and food security. T&T also should be receptive to U.S. priorities in the two other thematic pillars it has put forward, energy security and environmental sustainability.

POLICY DIFFERENCES

¶20. (SBU) Though T&T is friendly to the U.S., there are areas of policy difference. Due in part to former President Robinson's role as a "father" of the International Criminal Court (ICC), T&T was one of the first ICC signatories. It has not signed an Article 98 agreement with the U.S. and likely never will. While not taken with the systems in either Venezuela or Cuba, T&T seeks to maintain positive ties with each of those nations and is an advocate of dialogue between Washington and Caracas and Havana. T&T, along with its neighbors, did not recognize Haiti's interim government in the absence of a CARICOM consensus. T&T also did not support the U.S. intervention in Iraq, and its media have been openly critical on this issue. Its voting record at the U.N. also leaves much to be desired from a U.S. policy perspective, though it is roughly in line with its CARICOM partners.

CONCLUSION

¶21. (U) T&T remains an important ally, trading partner and regional leader. It has a well-established and functioning democracy and regularly cooperates with the U.S. on energy and security matters. We look forward to facilitating a successful visit to T&T for you.

AUSTIN